Transparency and public participation in infrastructure investment decision-making in Canada

Murtaza Haider, Ph.D.
Madhav Badami, Ph.D.
School of Urban Planning
McGill
SALUTE systematic analysis of land-use transportation & equity

Outline

- Introduction
- Substance and spin in mega-project
- What is happening all over the world?
- The Quebec City-Windsor corridor
- Loopholes in Access to Information Act

Introduction

- Transparency and public participation are the cornerstones of good governance.
- General acceptance of any decision relies on the trans-parency and inclusiveness of the decision-making process.
- The need for transparency is felt even more when the public sector decision-making deals with infrastructure projects with billion dollar price tags.
- Transparency allows *independent* experts to study the validity of assumptions on which such decisions are often predicated.
- Transparency dispels the perception of corruption and/or cronyism. Public participation and input ensures that the chosen alternatives reflect people's aspirations and result in the best use of scarce resources.

McGill
SALUT systematic analysis of land-use transportation & equity

VIAFAST Proposal

- This paper analyzes the process adopted by Transport Canada to scrutinize Via Rail's proposal (VIAFAST proposal) to build and operate High Speed Rail (HSR) between Montreal and Toronto.
- It is argued that the public sector decision-making regarding VIAFAST proposal was subjected to political influence.
- In addition, while the Minister of Transport requested $3.0 billion from the federal government, the public representatives in the Parliament and the Senate were not completely aware of the details of the proposal.

McGill
SALUT systematic analysis of land-use transportation & equity

VIAFAST and Access to Information Act

- A copy of the VIAFAST proposal from Transport Canada under the Access to Information Act.
- However, citing section 20 of the Act, which protects third party information from disclosure, Transport Canada has censored all operational and technical details of the VIAFAST proposal.
- This paper demonstrates how section 20 of the Act is being abused to prevent transparency and public participation.
- An independent evaluation of the VIAFAST or similar projects is critical because Transport Canada has limited in-house capacity/expertise to analyze such projects, which makes it even more critical for independent transport experts to evaluate the feasibility of such projects.

McGill
SALUTE systematic analysis of land-use transportation & equity

Substance and Spin in Megaproject Economics

- The global tale of facts and fiction
- Underestimated costs
- Overestimated benefits
- Lack of transparency and due process
- Influencing by interest groups and lobbyists

McGill
SALUTE systematic analysis of land-use transportation & equity

Urban Rail and Financing Challenges

- Urban rail projects often cost much more than the forecast
- Aalborg University study of 44 rail projects
  - Average cost overrun is 45%
  - For 25% of the projects, cost overrun was at least 60%
  - For 75% of the projects, cost overrun was at least 33%

McGill
SALUT systematic analysis of land-use transportation & equity

Urban Rail and Financing Challenges

- Revenue forecasts for 22 rail projects
  - Actual ridership 51% lower than forecast
  - For 25% of the projects, ridership was at least 68% lower than forecast
  - For 75% of the projects, ridership was at least 40% lower
- In Germany mega transport projects are often twice as costly as originally planned and often return lower than expected revenue

McGill
SALUT systematic analysis of land-use transportation & equity

Infrastructure Project Evaluation

- US DOT studied 10 rail projects and concluded that cost overruns varied from -10 to 106 percent and actual ridership was 28 to 85% lower than the forecast ridership
  - Actual cost per passenger was 500% higher than forecast
- Exceptions:
  - Hong Kong
  - Seoul
  - Singapore

McGill SALUT systematic analysis of land-use transportation & equity

Reality Check

Project	Construction cost over-run (%)	Actual traffic as a %age of forecasted traffic in the opening year
Humber Bridge, UK	175	25
Channel Tunnel, UK, France	80	18
Baltimore Metro, USA	60	40
Tyne and Wear Metro, UK	55	50
Portland Metro, USA	55	45
Buffalo Metro, USA	50	30
Miami Metro, USA	35	15
Paris Nord TGV, France	25	25

Source: Mette K. Skarmis, 'Economic Appraisal of Large-Scale Transport Infrastructure Investments.'

McGill SALUT systematic analysis of land-use transportation & equity

So what's behind all this hoopla?

- Martin Wachs discovered that a pattern of highly misleading forecasts of costs and patronage could not be explained by technical issues and were best explained by LYING
- Other studies with larger samples support Martins conclusions
- There is an 'obligation to truth' built into most democratic constitutions
- Wrong assessment of megaprojects in many instances resulted not from lack of data or incorrect methods, but instead from inadequate institutional approaches and regimes.

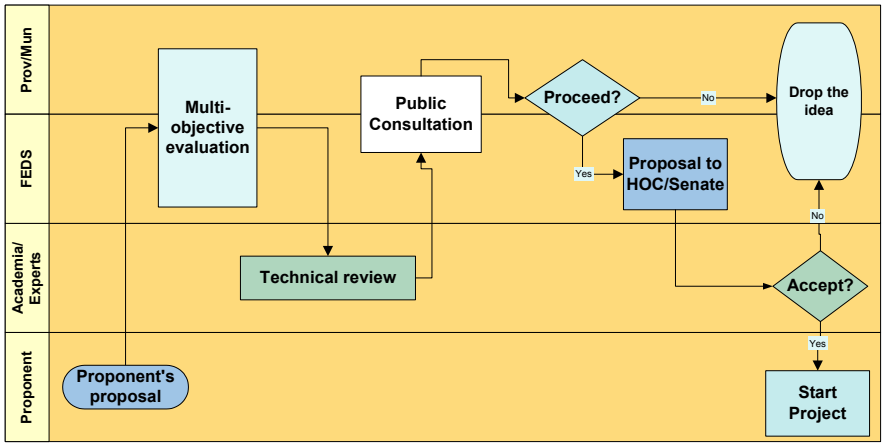
McGill
SALUT systematic analysis of land-use transportation & equity

Four basic Instruments

- Transparency
- Performance Specifications
- Explicit formulation of the regulatory regime
- Involvement of risk capital

McGill
SALUT systematic analysis of land-use transportation & equity

Megaproject Evaluation Regime



McGill SALUT systematic analysis of land-use transportation & equity

High Speed Rail in the Quebec-Windsor Corridor

- Hon. David Collenette has declared that work on a $3 billion high-speed rail (HSR) system in the Quebec-Windsor corridor might begin by Fall 2003.
- However, the government's proposal:
  - contradicts its own analyses
  - offers little bang for the buck,
  - and will leave taxpayers footing the bill for a service that few of us can afford to ride.

McGill SALUT systematic analysis of land-use transportation & equity

Q-W History

- In the past 30-odd years, governments have spent millions to study the feasibility of HSR in the Quebec-Windsor corridor
  - In 1995, Transport Canada and its provincial counterparts in Ontario and Quebec published a feasibility report, which concluded that "any future work should only consider very fast technology" operating at speeds over 300 km/h.
  - The latest proposal describes a 200 km/h service, far below the feasibility threshold established eight years ago.

McGill
SALUTE systematic analysis of land-use transportation & equity

HSR Costs

- New Cost estimates at $3 billion.
  - This cost estimate is unrealistically low and again contradicts previous estimates by Transport Canada.
  - The 1993 estimate of capital cost for an electrically-powered HSR system operating at 200 km/h was around $9.5 billion.
  - Add to this inflation and capitalised interest costs and the number swells to about $17 billion.

McGill
SALUTE systematic analysis of land-use transportation & equity

Enters Jet Train: Still it won't fly!

- Phantom Stakeholders
  - The proposed HSR would operate Bombardier's "Jet Train", which runs on diesel fuel and could use existing tracks.
  - Even when costs for track improvements, electrification, and right of way are cut, the HSR capital costs (in 1993 dollars) exceed $6.5 billion.

McGill
SALUT systematic analysis of land-use transportation & equity

Enters Jet Train: Still it won't fly!

- Overlooking known risks!
  - Despite Bombardier's promises, the existing rail track cannot sustain service at 200 km/h—the enormous expense of building a new, dedicated line for HSR would be inevitable. These and other astronomical sums prompted Transport Canada in 1995 to conclude that HSR "presents a high financing risk for each party involved."
  - The government (read taxpayers) will have to foot at least 70 percent of the construction cost.

McGill
SALUT systematic analysis of land-use transportation & equity

Cost Comparisons

months	120	System costs	Inflation	Capitalised interest	Total Cost
		1993$	3%	4%	in 2005
200 km/h					
	Q-W (Dorval)	9.45	$3.30	$4.63	17.38
	M-T (Dorval)	5.402	$1.89	$2.65	9.94
300 km/h					
	Q-W (Mirabel)	10.481	$3.45	$4.83	18.76
	M-T (Dorval)	6.079	$2.00	$2.80	10.88
	Q-T (Mirabel)	7.996	$2.63	$3.68	14.31

McGill
SALUTE systematic analysis of land-use transportation & equity

Current Ridership Details

HSR						One way
millions	Pers-Trips	Tot-%	business %	Non-bus %	Party size	$/trip/person
Total	108.6	100%	21	79	1.9	22
Auto	99	91.2%	19	82	2	12
Air	4.1	3.8%	73	27	1.3	233
Rail	2.9	2.7%	27	73	1.4	50
Bus	2.6	2.4%	17	83	1.2	36

Pers-trips ('000)	Q-M	M-O	M-T	O-T	T-L	T-W
Total	6801	4509	2979	2715	4541	1289
Auto	91.1%	85.1%	39.9%	63.2%	91.4%	84.6%
Air	0.7%	0.8%	40.3%	24.9%	0.5%	5.0%
Rail	2.1%	4.8%	15.8%	7.4%	4.6%	7.8%
Bus	6.2%	9.3%	4.0%	4.5%	3.4%	2.6%

Trip Purpose	Q-M	M-O	M-T	O-T	T-L	T-W
Bus	24.6%	21.2%	47.2%	39.9%	25.9%	23.7%
Non-bus	75.4%	78.8%	52.8%	60.1%	74.1%	76.3%

McGill
SALUTE systematic analysis of land-use transportation & equity

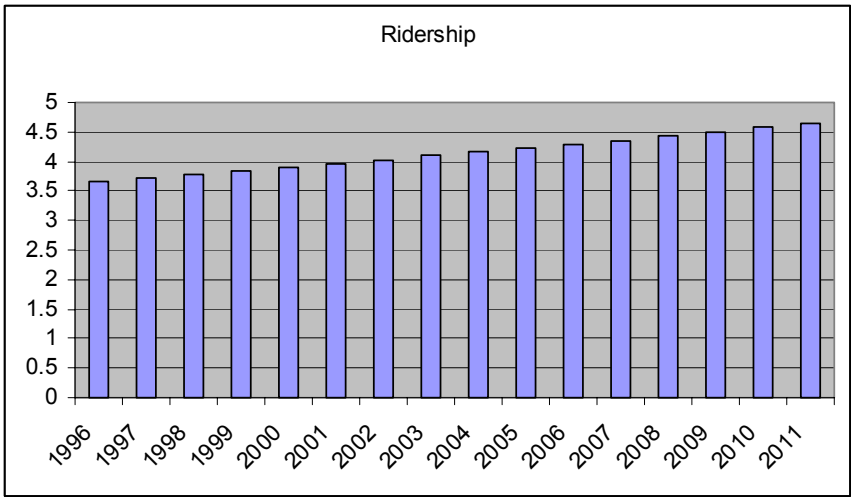
Wishful Thinking!

Data	Q-W	M-T
Distance	1228	610
2005 Ridership million	10.065	5.619
Time		3:05
Costs in billions	9.5	5.4

Diverted	200 k/h	300 k/h
Auto	40%	
Air	18%	
Via	15%	
Bus	8%	
Induced trips	18%	23%
	99%	

McGill
SALUTE systematic analysis of land-use transportation & equity

Reality Check



McGill
SALUTE systematic analysis of land-use transportation & equity

Objectives

- Reducing GHG Emissions
  - Intercity trips by car and light truck are the 2nd-largest source of GHG emissions in Canada, second only to auto-based trips in cities.
  - Doubling intercity rail service in Canada would save 6 million litres of fuel and 0.013 million tonnes of GHG emissions.
  - Doubling intercity bus service, however, would save 490 million litres of fuel and 1.2 million tonnes of GHG emissions.
  - A twofold increase in urban transit service, though, would save 690 million litres of fuel and 1.8 million tonnes of GHG emissions.
  - Rehabilitating urban transit would have the greatest impact on our GHG emissions and deserves a share of the $2 billion Kyoto fund.

McGill SALUT systematic analysis of land-use transportation & equity

Stakeholders Revisited

- Many small communities in the corridor which are currently served by VIA would not be served by HSR, which requires long uninterrupted stretches between stations in order get up to its promised speed.
- Bus operators are likely to gain ridership from HSR service in communities that will lose rail service.
- Even if they do live near a station, many will look at the high HSR fares and decide to take a cheaper bus service or drive their own car.

McGill SALUT systematic analysis of land-use transportation & equity

Access to Information Act: loopholes

- "Pursuant to paragraph 9(1)(c) of the Act, an extension of up to 90 days is required beyond the statutory 30-day limit allowed for the processing of your request because third party consultations are necessary to comply with the request. These consultations cannot reasonably be completed within the original time limit."
- Article 19 allows a head of a government institution can refuse to disclose any record that contains personal information.

McGill
SALUTE systematic analysis of land-use transportation & equity

Access to Information Act: loopholes – 2

- Article 20 allows the head of a government institution to refuse disclosure if the requested info contains trade secrets of a third party, financial, commercial, scientific or technical information that is deemed confidential by the third party.
- VIA can ask for $3 billion of taxpayers' money, but they can't look at VIA's plans!

McGill
SALUTE systematic analysis of land-use transportation & equity

Reports - 1

- "Validation of Revenue and Ridership Forecasts & Assessment of Project Financing Options" by Deloitte & Touche June 16, 2003.
- "Higher Speed Passenger Rail Analysis: Environmental & Socio-Economic Impacts of VIAFast" by IBI Group June 16, 2003
- "Validation of Equipment and Infrastructure Options for the VIAFast Project" by UMA Engineering Ltd. June 2003

McGill SALUT systematic analysis of land-use transportation & equity

Reports - 2

- "Validation of ViaFast Benefits, Equipment and Revenue Consolidated Executive Summary Prepared for Transport by Deloitte & Touche, IBI Group, UMA June 20, 2003.
- Transport Canada does not have the report of Travel Demand Forecasting prepared by TEMS (Transportation Economic Management Systems).

McGill SALUT systematic analysis of land-use transportation & equity